



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0073
916-327-4975 • FAX 916-324-2586
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

SEN. GEORGE RUNNER (RET.)
Second District, Lancaster

MICHELLE STEEL
Third District, Orange County

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

CYNTHIA BRIDGES
Executive Director

April 8, 2013

The Honorable Raul Bocanegra, Chair
Assembly Revenue and Taxation Committee
1020 N Street, Room 167A
Sacramento, CA 95814

Dear Assembly Member Bocanegra:

Assembly Bill 1049 (Harkey) is set for the Assembly Revenue and Taxation Committee hearing on April 15, 2013. **Sponsored by the Board of Equalization (BOE) by unanimous vote**, this bill eliminates the significant interest rate disparity between overpayments and late payments in the BOE's tax and fee programs. Currently, the late payment interest rate assessed against tax and fee payers is 6% annually. The overpayment interest rate allowed on refunds to BOE tax and fee payers is 0% annually.

Rates have been historically equal. From 1937 to 1991, the interest rates were the same for overpayments and late payments. The 1991 legislation to lower the overpayment interest rate was entirely based on minimizing the interest revenue losses associated with significant refunds the state was required to pay because of an unfavorable court decision in 1990. Since the refunds were paid years ago, the interest rate disparity is no longer justified. As the bill's sponsor, the BOE hopes to increase the overpayment interest rate to eliminate this inequity.

The IRS and FTB provide interest rate equality for personal income taxpayers. The IRS and the FTB do not have disparate interest rates for non-corporate overpayments and underpayments. For corporate overpayments the IRS and the FTB have relatively small interest rate disparities of 1% and 4%, respectively.

The BOE does not reward intentional overpayments. In the tax, fee, and surcharge programs the BOE administers, current law specifies that if the BOE determines that any overpayment has been made intentionally or by reason of carelessness, it shall not allow any interest.

If you have any questions or need additional information regarding this bill, please contact our Legislative Counsel, Michele Pielsticker, at (916) 322-2376.

Sincerely,

Cynthia Bridges
Executive Director

CB:ap

cc: The Honorable Brian Dahle, Vice Chair
The Honorable Richard Gordon
The Honorable Diane Harkey
The Honorable Kevin Mullin
The Honorable Brian Nestande
The Honorable Richard Pan
The Honorable Manuel Perez
The Honorable Phil Ting
Mr. David Ruff, Principal Consultant, Assembly Revenue and Taxation Committee
Ms. Julia King, Assembly Republican Caucus